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CIA HISTORICAL REVIEW PROGRAM
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1998

9 March 1972

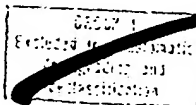
MEMORANDUM FOR: Scott Van Batenburg,
Office of Bilateral Assistance,
Department of Treasury

SUBJECT : Communist Economic Assistance
to Chile

In response to your request, attached is OER's estimate of long-term credits extended to Chile by Communist countries. We are also including some comments on the slow drawdown on these credits thus far and on likely assistance flows in 1972.

Office of Economic Research

Attachment:
As Stated



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Communist Economic Assistance to Chile

Known long-term Communist economic assistance to Chile now totals \$264 million, of which more than \$200 million has been extended since June 1971 (see the table). Except for a \$2.5 million earthquake relief grant from China and a reported Soviet offer to donate a \$2.5 million prefabricated housing plant, all of this assistance has been in the form of long-term credits to cover purchases of material and technical expertise from the donor country. To date, virtually nothing has been drawn on these credits. Utilization of even the \$42 million credit extended in 1967 is still largely in the feasibility-study stage, with Soviet technical teams drawing up plans for building a new port, renovating some existing ports, and constructing a fish processing complex and a lubricants plant. The Soviets are now giving some technical assistance to the fishing industry under this credit, however, and the first shipments for a prefabricated housing project arrived in January. Also, some jeep purchases have been financed under Soviet and Romanian credits, and last month Allende announced that Chile would buy 5,000 Soviet tractors in 1972.

The slow utilization of these project loans and supplier credits reflects in part continued resistance by Chilean

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industry and military alike to a shift to Communist area equipment and technology. The recently published IMF study, however, repeatedly refers to Chilean government plans to draw down heavily on Communist credits in 1972. This may reflect Allende's plans to make such a shift to Communist technology or his hopes for a change in what he now views as a less than generous Soviet policy regarding "untied" aid -- or both. Thus far the Soviets have restricted their offers of the kinds of aid Allende wants and needs most to \$50 million in hard currency credit through their European banks. Moreover, except for the \$13 million Chinese credit extended in January, we know of no Communist offers to help Chile meet its current consumption requirements for food, other consumer goods, petroleum, and the like.

Clearly, there are strong political reasons for deeper economic involvement in Chile by the Communist countries, particularly the USSR. With Cuba as an example to be avoided, however, we believe the Soviets want to tie any major aid commitment to assurances from Allende that he can put the Chilean economy in order. A Soviet decision to bail Chile out with more hard currency credits or with consumer good and petroleum supplies, coupled with an effective Chilean decision to turn eastward to fill its machinery and equipment

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needs, could significantly raise assistance flows in a relatively short period. On balance, we still doubt that Communist assistance will add to Chile's import capacity by more than \$150 million this year.

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Chile: Known Long-Term Credits from Communist Countries

In Million US Dollars

USSR	January 1967	\$42	Industrial plants (port improvement; lubricants plant; housing project, chemical plants; agricultural assistance; technical aid to copper facilities)
USSR	July 1971	\$55 a/	Machinery and equipment (\$5 million earmarked for road-building equipment)
Czechoslovakia	April 1968	\$ 5	Industrial plants (plants for the manufacture of compressors, motorcycle engines, and power tools)
Hungary	June 1971	\$ 5	Machinery and equipment
Hungary	September 1971	\$15	Pharmaceuticals plant; copper mining and transport equipment
Bulgaria	June 1971	\$20	Mining equipment; health supplies; possibly cargo crane plant
Romania	July 1971	\$20	Sulphuric acid plant; agricultural machinery and transport equipment; possibly copper manufactures plant
Poland	November 1971	\$25	Technical projects, particularly in the mining, fishing, and metallurgical sectors
Poland	November 1971	\$10	Machinery and equipment
China	July 1971	\$2.5	Earthquake relief (grant)
China	January 1972	\$52	Small and medium-sized projects over the next four years
China	January 1972	\$13	Finance imports of food and pharmaceutical products
Total		\$264.5	

a. Expansion of \$12.8 million credit extended in 1967.

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